

Fiscal Space and its Implications' on Social Safety-Net Policy Development in Sierra Leone

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Abstract:

Fiscal space and its implication on social safety-net policy development convey critical information about an economy and have a direct effect on policymaking process for achieving sustainable poverty reduction and economic growth. Given the fact that fiscal policies to developing economy foster output growth, it is therefore imperative to investigate its implication on social safety net policy development in Sierra Leone, by reviewing issues on social safety net spending in developing countries, analyzing the government of Sierra Leone capability to finance the social safety net programme, outline strategies to create fiscal space and draw policy development

recommendations. The ongoing implementation of existing social safety net has shown that, there are real challenges in delivering interventions through the government, especially at scale, financial capacity, often weak accountability mechanisms and weak institutional linkages and coordination, a mix of targeting methods are used, but inadequate monitoring. Thus, weak economy triggers unsustainable fiscal space to sustain investment on social safety net programmes. Therefore, the Government should vigorously pursue prudent fiscal and growth policies conducive to increase its budget allocation, and focuses on revenue mobilization plan to secure finances for such

expenditure. Hence, we look forward to future study on fiscal space issues with a view to further provoke policy discourse; such study could be the nexus between poverty reduction, fiscal space and economic growth for the Sierra Leone economy.

Keywords: Fiscal Space, Social safety-net, Expenditure, Gross Domestic Product (GDP) and Sierra Leone.

1 Introduction

Fiscal space and its implication on Social Safety nets policy development has become a relevant aspect and task in an economy. This is because the implication of fiscal space on social safety net policy development can be seen as a measurement of the risk for investment, and provides essential information for investors and policy makers to make the correct decisions as well as understand the changes in the macroeconomic and financial stability of an economy. Its negative consequences are of particular concern which includes higher risk premia for long term arrangement, unforeseen redistribution of wealth and higher costs for hedging against risks. Extensive research reflects it's important on investment analysis of households to make better investments in the future, help governments make beneficial reforms, social

risk management, and hedging strategies and monetary policymaking.

In areas of social safety net research, a lot of emphasis is placed on fiscal space and its implication on social safety net policy development, failing which could lead to crisis and possible failure in the macroeconomic level of an economy and may impede economic growth. However, establishing and maintaining a viable economy that will contribute to the welfare and sustainable development of its citizens, there must be an in depth and a comprehensive understanding of fiscal space and its implication on social safety net policy development. This research does not undermine its implications in an economy. Investigating the fiscal space implication on social safety net policy development is therefore, of great interest to investors, international partners and policy makers.

Sub-Saharan Africa countries are the poorest in the world with a population of about 800 million (12% of world population), with an average per capita Gross National Income (GNI) of \$952 as a region which fall below the low income country threshold set by the World Bank. Sub-Saharan Africa only contributes to 1.45% of total world GNI (2.30% if we use Purchasing Power Parity

(PPP) GNI). It is also the region that has exhibited the highest population growth and with an average population growth of 2.5% (compared to a world average of 1.2%). Such a high growth rate is reflected in its population age composition, where children and young people (aged 0-14 years) account for 43% of total population World Bank, (2009). The region grew at relatively high rates during the last eight years with a Gross Domestic Product (GDP) growth averaging 5% per year, ahead of Latin America and the Caribbean, Middle East and North Africa, in terms of economic growth. However, given the high population growth rate, in per capita terms, the Sub-Saharan region fared much worse against other developing regions showing the slowest growth rate in GDP per capita in the world. Sub-Saharan countries are usually regarded as being very much different from other developing countries with widespread corruption, high degree of social instability and frequent civil wars being the distinctive characters of these countries (Fiaschi 2008).

However, in the context of Sub-Saharan African countries, only 5-10% of the labour force has access to contributory social protection, while the vast majority of the population works in the informal sector with

inadequate formal coverage (Xaba et al. 2002). For these Africa countries are characterized by high informality of economic activities and subsistence agriculture, non-contributory programmes have a crucial role in alleviating poverty and preventing vulnerable people from falling into poverty. However the design of effective social safety net policies needs careful thinking of fiscal space and its implication. .

The Government of Sierra Leone in 2007 implemented the Social Safety Net (SSN) programme as a development oriented approach to social protection which became an integral part of the country wide poverty reduction strategy. It is a non-contributory scheme provided free of cost to the beneficiaries by the Sierra Leone Government. It is intended to provide social transfer of funds and food items to identifiable vulnerable groups in Sierra Leone starting with the aged in particularly difficult circumstances. Plans are underway for other identifiable group like the disabled, widows, and separated children to be incorporated into the programme. It is consistent with various government policy instruments like the Poverty Reduction

Strategy Papers (PRSPs) and the Global Millennium Development Goals (MDGs).

A national safety net Secretariat has been established by the Ministry of Labour Social Security and Industrial Relation in order to fast track social protection programmes in Sierra Leone. Development partners the World Bank and Department for International Development (DFID) are providing support in order to ensure that the programme is implemented nationwide. The Government was committed to uplifting the livelihoods of the most vulnerable, poorest and marginalized groups. Its commitments include the Sierra Leone 1991 Constitution Article 8, and international agreements and charters adopted or ratified, such as the 2008 African Union Social Protection Framework, and the MDGs. As a manifestation of its commitment, the Government adopted the National Social Protection Policy in 2011. The main policy goals are to strengthen the social protection delivery system, and to ensure the most poor and vulnerable are afforded an equal opportunity to access basic services and mitigate risks. The policy identifies the chronically poor, the economically at risk and the socially vulnerable as the major categories of people, males and females of all ages in dire need of

social protection as well emphasizes the relevant of active participation of community-based care and support. Strategies were developed to implement the policy, prepare legislation, and design institutional coordination and financial arrangements.

However, despite the original stated interest and commitment to scale up Social Safety Net (SSN) programmes, the government has not increased its budget allocation to social safety net programmes and many of the objectives set out in the SSN remain mixed. Regarding the Social Cash Transfers (SCTs), only some pilot schemes have been implemented, financed by external donors with government providing administrative support, however their coverage remains very low as it is restricted to only three districts (out of a total of fourteen districts).

The programme design will have to compare the positive effects on social and economic development against the costs it will address to society. A careful analysis should also consider the opportunities available to finance social safety net programmes identifying the pros and cons of the different sources. In this context, fiscal space and its implications to finance social safety net programmes posed a serious challenge. There is no agreement among economists

and policy makers on the exact meaning of the term fiscal space. Still it is unclear for what the term has been used for in the development context. Fiscal space has to do with the financing of meritorious policies for the development of a country. This aspect could be seen both in its narrower definition, as a fiscal rules to which sensible fiscal policy has always been subjected to, or in broader terms as a set of policy actions for development.

The performance of developing countries in tackling poverty has been mixed. In some regions it has been dismal: the number of people living in poverty in South Asia has increased by about 10 percent, and the prevalence of malnutrition has remained substantially higher than in other developing countries. The poverty rate in Sub-Saharan Africa has increased slightly to around 48 percents and the prevalence of malnutrition has also increased. It is clear, therefore, that a more effective poverty alleviation strategy is urgently required. While there is an emerging consensus that renewed broad-based economic growth is an essential phenomenon for alleviating poverty within an acceptable time frame, in isolation it is insufficient (World Bank 1997; Haddad et al. 2003). Moreover, it is now widely accepted that effective social safety nets are also

important components of any comprehensive poverty alleviation strategy, such programs are the only hope of a life free from chronic poverty, malnutrition and diseases. The importance of these transfers is magnified as informal private networks; such as those based on community become less effective with increased economic development. Social safety net programs are defined here as programs whose primary objective is to directly reduce poverty. However, as the nature and causes of poverty differ, so, too, do the nature and design of social safety net programs. Drèze and Sen (1991) identified two distinct but interrelated roles for public policy. First is the promotional role, the elimination of chronic poverty by enhancing the asset base of households. Second is the protective role, the prevention of households vulnerable to adverse shocks from entering into a spiral of poverty.

As widely practiced, existing social safety nets are perceived to have a number of challenges that substantially reduce their effectiveness. First, they often fail to reach the intended target group, the poorest households leading to inclusion and exclusion errors. Second, they are made up of a myriad of small, uncoordinated, and duplicative transfer programs. Third, a

combination of operational inefficiencies and corruption results in an unnecessarily high cost of transferring resources to households. Fourth, even when the transfers do reach intended beneficiaries, they fail to generate a sustained decrease in poverty independent of the transfers. Fifth, the transfers are often too small, and program coverage too low, to have any noticeable effect on overall poverty. Sixth, ensuring political will and providing financial support to sustaining the programs.

Based on the overall literature review and relevant discussions survey, we observed that, studies have been attempted to explain fiscal space and its implication on social safety net policy development in both developed and developing economies and that studies on fiscal space and its implication on social safety net policy development in Sierra Leone is scant. The results of these studies are mostly inconclusive in nature. The policy development and the fiscal space procedures to use are still open to question. Therefore, there seems to be some perturbed as to which concept of fiscal space and policy development can offer the solution to sustained social safety net programs in any economy. To this end, these issues are one of the motivations of this present study.

The aim of this paper, therefore, is to contribute to the existing literature on the grounds of analyzing issues of fiscal space and its implication on social safety net policy development. reviews issues that need to be considered in safety nets spending, with particular reference to the above challenges, analyzing the Government of Sierra Leone capability to finance the social safety net programme and to outline strategies to create fiscal space within the context of Sierra Leone and finally draw policy recommendations on how to sustain the social safety net package in Sierra Leone. It is expected that the outcomes of the study would be relevant to academics, policy makers, international organizations such as the World Bank, the International Monetary Fund (IMF) and foreign governments that are helping in the sustainable development of social safety net programs in developed and developing economies. Since stable social safety nets programmes are conventionally required to enhance sustainable economic growth and hence reduce poverty in an economy

The rest of the paper is structured as follows. Section 2 presents literature review. Section 3 introduces a case study of Sierra Leone. Finally, conclusions are given in section 4.

2 Literature Review

This section reviews the diverse body of literature in the context of social safety net spending focusing mainly in developing countries.

2.1 Social Safety Net spending in developing countries

Social safety net concept is a continuous process and its scope depends on the socio-economic characteristics of the society to which it is applied. For example what people meant by social safety net at the dawn of industrial revolution differs from the set of policies that are recommended today in developed economies. At the same time the social safety net policies that are currently advocated for developing economies, although they share the same objectives as the ones pursued in developed countries, have to be framed consistently to the characteristics of the local level of socio-economic development. Following Chu and Gupta (1998) in broad terms defines safety nets as instruments aimed at mitigating possible adverse effects of reform measures on the poor and to the Food and Agricultural Organization (FAO) defines social safety nets as cash or in-kind transfer programs that seek to reduce poverty by redistributing wealth and/or protect households against

income shocks. Social safety nets seek to ensure a minimum level of well-being, a minimum level of nutrition, or help households manage risk (FAO, 2003).

If developing countries wish to increase their spending on safety nets, they can re-allocate expenditures, raise taxes, obtain aid grants, or borrow. Reallocation of funds from less important items is preferable when possible. If taxes are to be raised, the government must pay attention to the economic and political costs and for international grant (donor), the government and donors should try to ensure that funding flows are stable and that procedures are conducive to building long-term implementation capacity. Debt finance is appropriate for safety nets when they benefit future generations in ways that will raise their productivity, and consequently future tax revenues, or when temporarily increased expenditures are needed as during a recession. Social Safety net schemes are required to be financed in a countercyclical aspect. Developing economies find it difficult to respond to adequate issues of safety net. Expenditure reallocation in favor of safety nets during economic crisis with general prudent fiscal policy will help in achieving effective programme, but to larger

extent insufficient to yield countercyclical funding for social safety nets.

Social safety net programs represent about 1 to 2 percent or less of gross domestic product (GDP) in developing countries. This compares with spending levels of 2 to 4 percent of GDP in industrial countries (Atkinson, 1995). According to Fox (2003) average spending levels tend to be higher in middle-income countries than in low-income countries, reflecting the low revenue base in the latter countries, but variability is large. Spending levels also vary by region, as examined by Besley, et.al (2003), South Asian and Sub-Saharan African countries spending less than Latin American and Caribbean countries and countries in Eastern and Central Europe and the Middle East countries spending more.

Researchers have tested and found different factors that may affect the level of safety net spending. Higher per capita incomes tend to be associated with higher spending on social assistance programs, while the incidence of poverty and inequality are not necessarily good predictors of the level of spending on social safety nets. This is because in many regions, for instance, Fiszbein (2004) found that Latin America and the Caribbean, the system of social protection is split between

social insurance for the (wealthier) formal sector worker and meager social assistance for the (poorer) worker in the informal sector. Schwabish, et. al (2004) find that inequality between the middle class and the poor as measured by the ratio of welfare between those at the 50th percentile and those at the 10th percentile has a small, positive impact on social spending, but that inequality between the ends of the distribution and the middle class as measured by the 90th percentile and those at the 50th percentile has a large and negative impact. Baldacci, Hillman, and Kojo (2004) report that spending levels tend to be higher for countries with better governance indicators, but are not necessarily different in decentralized and centralized economies. Spending on social safety nets tends to be correlated with government size, but is generally negatively correlated with fiscal deficits and inflation. This is because countries with unstable conditions are more likely to have insufficient resources to finance the social safety net (de Ferranti et al., (2000).

Developing countries are therefore characterized by high informality of economic activities and subsistence agriculture, non-contributory programmes

which have a crucial role in alleviating poverty and preventing vulnerable people from falling into poverty. It is important to note that, special contributory programmes could play an important role, also in the absence of an extended formal sector, as new forms of contribution collection and scheme design.

The concept of spending on social safety nets has to do with fiscal space issues. According to Perotti (2007) fiscal space is only a restatement of the concepts of inter-temporal government budget constraint and sustainability of public finance. He argues that, in order to increase government expenditures in one sector there is the need to cut expenditures in other sectors, or increase current or future taxes, or inflate away the government debt for instance by printing money. Also, he stated that the concept of favoring investments with higher rates of social marginal value, given the same cost, is an old concept that informed public policy.

In its critique Perotti mainly refers to the concept of fiscal space outlined by Heller (2005), which is the definition that received wide attention among policy makers, International organizations and practitioners.

Heller (2005) defines fiscal space as: “the availability of budgetary room that allows a government to provide resources for a desired purpose without any prejudice to the sustainability of a government’s financial position”. Perotti and Heller agree that the concept of fiscal space emerged from the pressures on governments to relax the budgetary rules to leave rooms for productive investments that would generate paybacks in the future. Such investments should target mostly the accumulation of physical capital that is infrastructure projects. Successively new calls were raised to apply the same rationale to investment in human capital (mainly education and health) as, it was argued, these investments as well would pay for themselves over the long term. (Roy and Heuty, 2005) have redefined the concept of fiscal space. Roy and Heuty argue that the debate on fiscal space needs to be framed in a different way as it needs to take account of all the interdependencies that are between the different funding opportunities and the development process of a country. They view fiscal space as “concrete policy actions for enhancing domestic resource mobilization and the reforms necessary to secure the enabling governance, institutional and economic environment for these policy actions to be effective”. In their definition,

they clearly stress the importance of domestic resource mobilization, though they are not against ODA(Official Development Aid), they claim that ODA can only be effective if they contribute to increase domestic resource mobilization otherwise countries will never graduate from foreign aid dependency. Fiscal space has to do with financing meritorious policies for the development of a country. The term could be seen both in its narrower definition, as a redefinition of the fiscal rules to which sensible fiscal policy has always been subject to, or in broader terms as a full-blown set of policy actions for development.

3. Case Study: Sierra Leone

Sierra Leone is situated on the western part of Africa, with its capital city-Freetown. It is a British colonized country which gained independent in April; 1961 and shared boundary with Guinea to the north and extended to northeast and Liberia in the southeast and to the west of the Atlantic Ocean. It occupies a total size of 71,740 kilometres approximately 27, 699 square miles. It's divided into a land catchment of 71,620 kilometres equivalent to 27,653 square miles and water radius of 120 kilometres (46 square miles) (Fyfe, 1967). Its population is estimated 6 million (United

Nations estimates 2011) growing at an average of 2.1 percent annually. About 70% of the population lives in rural areas and majority of the population fall below the poverty line and approximately 60% of the youth population are out of school. Life expectancy was very low and stood at 48.8 years in 2008 and adult literacy stood at 38.1 % of the adult population in 2009, with female literacy rate at 26.8 % which is very low when compared to Sub-Saharan African female literacy rate. The country's per capita income in 2008 was 320 United States Dollars. Real GDP increased by 4.4 % from Leones 4,290,993 million in 2008 to Leones 4,479,933 million in 2009. Economic growth in 2009 was largely driven by the agricultural sector with great participation of smallholder farmers. (National Sustainable Agriculture Development Plan (2010, p.7))

Like many Sub-Saharan countries, Sierra Leone is part of the Least Developed Countries (LDC), and participates in Heavily Poor Countries (HIC) initiatives. Consistent with the Maputo Declaration of 10% of national resources towards agricultural development pioneered by the Food and Agricultural Organization, the country fulfilled these initiatives in 2010. The civil war that lasted for about 11 years (1991-2001) has resulted to devastating

consequences in terms of human capital, destruction of infrastructure such as rice meal, stores, agricultural institutions and has posing negative impacts on the social and economic fabrics of the country. The end of the war in 2002 strengthening confidence in investment of the agricultural sector with substantial progress in the development of smallholder farming driven largely by considerable participation of farmers in agricultural activities that has positive trends in the development of the country. Sierra Leone has undergone a remarkable post-war transition process. These initiatives are indicative of Sierra Leone's transition from a post-conflict rehabilitation phase to a period of long term development.

However, although progress has been made along political dimensions, socio-economic indicators still show that poverty remains a challenge in the country. Despite abundance of natural resources such as gold, diamonds, iron ore, bauxite and rutile, the country has been ranked near bottom of the human development ranking index from a position of 158 to 169 in 2008 (United Nations Development Programmes (UNDP, 2010). This ranking is however related to food insufficiency, inadequate housing facilities and poor health status, high infant maternity and mortality rate, high illiteracy rate and

low incomes. The human development score of 0.317 in 2008 is relatively stable when compared to the 2009 score of 0.313. The United Nations Human Development Index in 2007, classified the country among the highest rates in the world of infant mortality (160 per 1000 live births in 2006), maternal mortality (1077 per 100,000 live births in 2005) and under-5s (271 per 1000 in 2005).

Social safety net programmes in Sierra Leone is, therefore, not only a question of supporting basic needs of vulnerable groups, it's a mechanism and tool for ensuring livelihood security for marginalized people, which may help to further consolidate peace and eventually mitigate the chances of relapse into violence and conflict. In addition, by providing social safety net programmes, the government will be seen to be serving the needs of its population, and responding to the demands of marginalized people, thus building a stronger contract between state and society.

The Poverty Reduction Strategy Paper (2005-2007) recommends that a social protection policy should be developed and implemented along the lines of short to medium-term programmes relating to access to social services and food security to address the situation of vulnerable citizens.

The Government of Sierra Leone proposed broad conceptual framework based on social protection programmes of the different initiatives is currently being implemented. The framework is guided by the various global and regional conventions and agreements to which the Government of Sierra Leone is party to, and attempts to capture the level and nature of the varied operational policies in place which act as the guidelines for the government. It is also committed to uplifting the livelihoods of the most vulnerable, poorest and marginalized groups. Its commitments include the Sierra Leone 1991 Constitution Article 8, and international agreements and charters adopted or ratified, such as the 2008 African Union Social Protection Framework, and the MDGs.

As a manifestation of its commitment, the Government adopted the National Social Protection Policy in 2011. The main policy goals are to strengthen the social protection delivery system, and to ensure the most poor and vulnerable are afforded an equal opportunity to access basic services and mitigate risks. The policy identifies the chronically poor, the economically at risk and the socially vulnerable as the major categories of people, males and females of all ages in dire need of social protection as

well as emphasizes the relevant of active participation of community-based care and support. Strategies were developed to implement the policy, prepare legislation, and design institutional coordination and financial arrangements. Social protection issues will be addressed in a holistic manner in order to support sustainable interventions, that will address issues related to prevention, protection, transformation, and participation of all citizens with special attention to the aged, women, children, poorest and people with disability.

A set of different social protection programmes are already being implemented in Sierra Leone by the Government, international and national NGOs, UN agencies and key parastatal, organizations, the National Social Security and Insurance Trust (NASSIT), and the National Commission for Social Action (NaCSA). NASSIT operates a formal, self-sustaining contribution-based pension scheme, and is not dependent on government or donor funds. It provides retirement and other benefits to meet the contingency needs of workers and their dependants, it covers both workers in the public and private sector as well as self employed which are covered on a voluntary bases, the scheme covered three

contingencies such as Old age, invalidity and death (survivors). NaCSA on the other hand is the agency tasked with organizing the reconstruction and rehabilitation of the country's infrastructure, principally schools, health clinics, rural court buildings and other community structures.

Social protection programmes include agricultural inputs (such as tools and seeds), "one-off assistance" programmes which include combining skills training and a start-up kit in the form of trade tools or in-kind capital, food-for-work, food-for-training, food aid programmes and other in-kind assistance programmes which distribute clothing, shelter, other non-food items and scholarships for education. The types of social protection programmes in Sierra Leone are direct cash transfer, cash-for-work, public works (cash) programme, contributory pension scheme, small scale pension, agricultural inputs one-off assistance, food aid, food-for-work, food-for-training, health fee waivers, In-kind assistance, and scholarships for education and school fee subsidies.

The free health care initiative (launched April 27, 2010), which geared towards reducing the deaths in the vulnerable groups

of women and children and guarantees free access to healthcare services for the targeted groups of pregnant women, lactating mothers and children below the age of five years with support from United Kingdom (UK) Department for International Development (DFID), World Bank and United Nations (UN) agencies. The scheme is targeting up to 230,000 pregnant women, 230,000 lactating women and 1 million children under the age of 5 years to receive free essential health care services every year.

3.1 The Economy

Both internal and external balances are crucial to every economy. Internal balances is often considered to be having low and stable inflation as well as sustained economic growth, external balance on the other hand, takes into consideration the healthy balance of payments, which is a summary account for the external sector. The performance on the external balance of Sierra Leone has been poor since the 1970s, balance of payments problems is persistent. Real GDP of Sierra Leone grew by 2.69 % in the 1970s, in the 1980s it grew by approximately 1.33 % and declined by -4.27 % from 1991 to 2000-the war period-(See Table 1).

Over the period 2001 to 2005 real GDP growth was 6.31 % and it grew by 6.00 % over the period 2006 to 2009. The improvement in the growth of the economy in the post-war period is not surprising since a more politically stable environment is attractive to investors. Inflation rate was 10.82 % in the 1970s, rose to 67.31 % in the 1980s, decreased to only 34.75 % over the period 1991 and 2000. It decreased further to 6.53 % over the period 2001 to 2005 though it increased over the period 2006 to 2009, standing at 10.20 %. The low level of inflation rate recorded over the period 2001-2005 could be attributed to the increase in the growth of real output (the phenomenon of supply side factor), decrease in monetary growth and the decrease in depreciation of the exchange rate. However, with lower monetary growth over the period 2006-2009 the rate of inflation was higher in this period than the period 2001-2006. Budget deficit as a ratio of GDP was also lower in this period than the period 2001-2005, suggesting that fiscal control and monetary factors did not play role in higher inflation rates of the 2006-2009 period.

Despite the improved economic performance, with increasing real GDP growth and decrease in the rate of inflation

in the post-war period (2001 to 2009), the external sector performance was worse than it was from the 1970s to the 1990s. External balance on goods and services was -4.02 1.02 % from 1991 to 2000 (the war period) and deteriorated further to -30.23 % from 2001 to 2005 and stood at -24.65 % from 2006-2009. Export of goods and services was 26.67 % of GDP in the 1970s, declined to 19.74% of GDP in the 1980s, further declined to 20.13 % from 1991 to 2000 and from 2001 to 2005 it decreased to 14.13 % resting at 14.33 % over the period 2006-2009. This is a reflection of export performance deteriorating since the 1970s.

Import of goods and services as a percentage of GDP was higher than export of goods and services (as a percentage of GDP) for the periods 1970- 1979, 1980-1990, 1991-2000, 2001-2005 and 2006-2009. Import of goods and services declined from 30.69 % of GDP in the 1970s to 22.63 % in the 1980s, increased to 21.166 % from 1991 to 2000 and further increased to 44.36 % of GDP from 2001 to 2005 and it was 38.98 % over the period 2006-2009. As expected, the fall in exports and growing imports over the years deteriorated the external balance on goods and services. Foreign reserves which fell from 39.91 millions of U.S dollars in the

1970s to 11.48 millions of U.S dollars in the 1980s rose to 33.04 millions of U.S dollars over the period 1991 to 2000, and further rose to 99.65 millions of U.S dollars from 2001 to 2005. Foreign reserves stood at 286.92 million of US\$ over the period 2006-2009. Net foreign asset which was positive in the 1970s decreased to negative values over the periods 1980 to 1990, 1991 to 2000 and 2001 to 2005 with the worst case being during the period 1991 to 2000, followed by the period 2001 to 2005 and was positive over the period 2006-2009.

External debt was on the increase, until 2007, with the period 2006-2009 recording lower external debt, which is not unconnected to the country's debt forgiveness of 2007. Monetary restraint, which flows from the monetary approach to the balance of payments, is one of the main policy prescriptions given by the IMF. Based on the framework of the monetary approach to the balance of payments, monetary restraint is often recommended among others as a way to address poor performance on the balance of payments of the developing economies.

Table 1: Basic Macroeconomic Indicators for the Sierra Leone Economy

	1970-1979	1980-1990	1991-2000 (WAR PERIOD)	2001-2005	2006-2009
*Real GDP Growth (%)	2.69	1.33	-4.27	6.31	6.00
CPI Inflation (%)	10.82	67.31	34.75	6.53	10.20
Export of Goods and Services(% of GDP)	26.67	19.74	20.13	14.13	14.33
Import of Goods and Services(% of GDP)	30.69	22.63	21.16	44.36	38.98
External Balance on Goods and Services (% of GDP)	-4.02	-2.89	-1.02	-30.23	-24.65
Foreign Reserves, minus gold (Millions of U.S dollars)	39.91	11.48	33.04	99.65	286.92
Net Foreign Assets (Millions of Leones)	4.93	-11651.32	-273507.20	-211860.64	785659.60
*External Debt (Millions of U.S dollars)	210.98	808.31	1330.82	1598.61	863.2
*Budget Deficit (% of GDP)	6.34	10.27	10.69	13.44	9.1
M1 Growth	15.32	56.53	27.71	25.02	22.10
M2 Growth	17.14	51.77	29.77	27.31	24.00

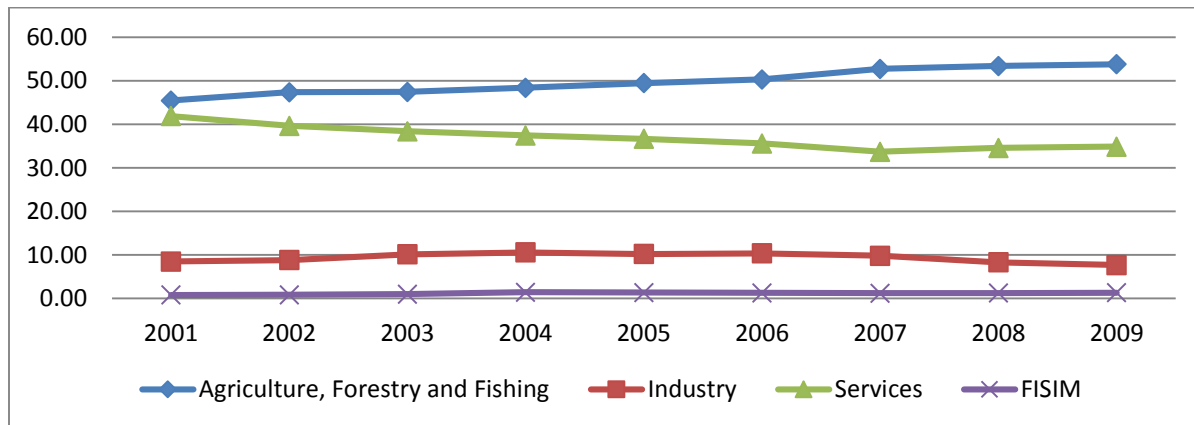
Source:* Calculated from *World Development Indicators* CD-ROM (2010)

Calculated from *International Financial Statistics* CD-ROM (2010)

Figure 1 presents the percentage sectors contribution to the country's Gross Domestic Product. Sierra Leone has recorded strong economic growth over the past nine years, despite the challenging global economic environment. The first startling fact is that the Agriculture, Forestry

and Fishery sector contribution to GDP changed dramatically during the period under review. The sector in 2001 accounted for 45.45 % of total GDP in 2009 it accounted for only 53.79% of GDP and this share has increased over the years.

Figure 1: Percentage of Contribution of Gross Domestic Product by Sectors in Sierra Leone



Source: Statistics Sierra Leone (2009)

Services and Industry sector exhibit sustained growth and is now among the three most important sectors (by share of GDP). Both sectors in 2001 accounted for 41.86% and 8.50% of GDP and in 2009 the sectors contribute to 34.86% and 7.67% of GDP respectively. These sectors contributions are largely driven by Trade, Tourism, Mining and Quarrying, whose contributions accounted for the highest in 2005 at 9.03% and that of mining and quarrying 5.85% in 2004. It is clearly seen

from the trends of figure 1 and Appendix Table 2 that, the highest share of GDP contributions is by the Service sector stood at 41.86% in 2001 while for the industry sector at 10.09% in 2004.

Overall, the sector that seems to contribute the most to economic growth is Agriculture, Forestry and fishery sector, followed by Services and then Industry, this growth is driven by increased activities in agriculture, mining, services and construction (reflecting

the scaling up of public investment in basic infrastructure). Other emerging sectors that contributed significantly to economic growth are the Financial Intermediation Services Indirectly Measured (FISIM) and the Non-profit Institution Serving Households (NPISH) has been fairly constant over time and accounted for 0.81% and 3.04% and 1.34% and 1.40% of GDP in 2001 and 2009 respectively. However least contributing sector is the FISIM. The future economic development with respect to these sectors is important for the overall development of the country as the government needs to facilitate the ability to attract and retain foreign investors and create the enabling investment opportunities for the development of the domestic market for the overall improvement of the economy.

3.2 Social Safety Net Programme and Policy Package in Sierra Leone

Sierra Leone is faced with a major development challenge as economic growth over the years has not translated into substantial reduction in poverty, inequality and vulnerability to risks which are widespread and multi-dimensional. The proportion of people living below the poverty line remained at 54.3% in 2011. Older people experience high poverty, and therefore significant numbers of older

people with physical and mental disabilities in Sierra Leone with these special needs face inadequate specialized medical care. The Social Safety Net (SSN) programme for the aged was implemented in 2007 as a development oriented approach to social protection which became an integral part of the country wide poverty reduction strategy. It is a non-contributory scheme provided free of cost to the beneficiary by Sierra Leone government.

The pilot scheme targets specifically the extremely needy and incapacitated aged persons. Eligibility criteria taken into consideration for the old and needy must be 60 years and above and thus have no regular income, have no regular means of support from family and the community as well as unable to work. Targeting is done at chiefdom and sectional level. The scheme uses existing chiefdom committees in collaboration with Social Safety Net (SSN) scheme. Based on assessment of beneficiaries, they are provided with a regular contribution to their livelihood. Due to economic hardship 95% (16,046 persons) of the aged targeted are extremely poor.

These extremely poor aged have never been reached by humanitarian organization. Also

65% (10,978 persons) of beneficiaries are chronically ill, and 35% (5,912 persons) of the aged are disabled and have no self help potential where as 70% (11,823 persons) of the them are widows. This aged person needed regular social assistance to enhance their livelihood.

The targeting structure takes into account social safety net chiefdom committee using the form A1, social safety net officers and social safety net chiefdom committee who verified and registered using a specified form A2 and B. The paramount chiefs of a given chiefdom and the Chairman of Social Safety Net chiefdom committee endorsed the form B and the social safety net management approves (Ministry of Labour, Social Security and Industrial Relation, 2009). The National Social Security and Insurance Trust (NASSIT) task force and the social safety net management team make final approval of the beneficiaries and hence the pay point and time line determined by social safety net management team. Since the implementation of the programme from 2007 to date it has covered fifteen (15) chiefdoms in the north with a total of 3, 495 persons and two chiefdoms in the southern and eastern regions with a total of 2,830 persons. Further verification, registration and photo identification exercise

conducted in other chiefdoms brought the total of beneficiaries to 16,890 persons from sixty-five chiefdoms in the provinces and twenty-one communities in seven wards in the Western Area.

However, a large proportion of the country is yet to be targeted. The Ministry of Labour, Social Security and Industrial Relations enhances resource mobilization through development and submission of proposals to potential sponsors and donors, collaboration with relevant MDA's, development partners and rural health centers. It also enhances participatory approach for service delivery in communities. Implementing strategy with regards action plan towards combining care and skills training services for the vulnerable is enhanced.

The policy package based on daily food consumption needs beneficiaries receive Leones (Le) 333,200 (US \$ 68) per person for six months in order to facilitate the consumption of beneficiaries. The overall cost of the pilot was Le 3.746 billion (US \$ 1.270m) 16,890 persons were targeted costing Le 3.396 billion (US \$ 1.151m) administrative costs was Le 350 million (US \$118, 644.07) 65 out of 156 Chiefdoms were covered. Administrative costs were kept at 9.3% while 90.7% funds reached the

actual beneficiaries. A registration and pay point at chiefdom and sectional level allows full the participation of target beneficiaries. Social Safety Net Chiefdom Committees were provided with basic training in targeting procedures since the management was inadequate to implement the scheme. Targeting was high and compares well to the SSN Concept Paper, 35% of beneficiaries are elderly disabled 18% (1,065 persons) of which are blind. Also 70% of beneficiaries are elderly widow majority of who have three or more dependant and 55% (9,290 persons) of beneficiaries invested their cash through their caretakers, 33% (5,574 persons) bought food and condiment upon receipt of cash, 2% (338 persons) use their cash to seek medical attention. The sick and the disabled elderly benefited more and 73% hardly go with less than two meals a day (Ministry of Labour, Social Security and Industrial Relation (2009).

The implementing strategy is currently facilitated by the government and donors who provides assistance to empower the programme through undertaking proposed community farming Scheme in 149 Chiefdoms. The government of Sierra Leone prepared also to increase the present budget to extend the social cash transfer to other chiefdoms. Donors and Government support

the social safety net housing scheme for older people and other vulnerable groups in 12 districts in the regions and Western Area. The establishment of National Social Safety Net Trust Fund in Sierra Leone and direct actions were enhanced to involve all stakeholders. Regional secretariats were established to facilitate the smooth running of the programme which uses a combination of targeting methods and also relies heavily on the use of community targeting. Community targeting uses a group of community members or a community leader to decide who in the community should benefit from a programme and is a popular mechanism based on the idea that local knowledge of the Old age' living conditions may provide more accurate criteria, more rapidly, more cheaply, and with fewer demands on human capacity than means tests conducted by a government social worker.

3.3 Policy Gaps

The effective implementation of the laudable vision of social safety nets programmes in the country needs not just providing benefit to few members of the country, but positive and realistic contribution by properly accelerating her human development with social protection,

governance and public sector management. In this regards with existing social safety net in the country, the government in its commitment to facilitate a sustainable social safety net cash transfer for the aged faced with policy gap challenges.

The existing policy gaps with regards the Social Safety Net programmes in Sierra Leone includes, weak implementation capacity, procurement difficulties, weak extension services, weak private sector linkages, possibility for gender and youth exclusion, political interference in asset and fund management, and the potential change in political and economic environment. The significant funding gap and risk of downward change in donor financing, corruption and poor collaboration between ministries, development agencies in the implementation of policies requires the involvement of all ministries. There is also a policy gap in relation to the objectives of the basic needs which are to be met and there modifications, implementation issues and mechanisms put in place to enhance accountability as well as agencies involved in the implementation process which requires the decentralization of local Government. The reason being that, the ongoing implementation of existing social protection has shown that, there are real

challenges in delivering interventions through the government, especially at scale levels, given limited staff and financial capacity, limited infrastructure, often weak accountability mechanisms and weak institutional linkages and coordination. A mix of targeting methods are used, including community targeting, but inadequate monitoring makes it difficult to understand the extent of leakages and exclusion in these programmes.

3.4 Creating Fiscal Space in Sierra Leone

It is important to note that, in order to enhance stable macroeconomic environment for achieving sustainable inclusive green economic growth and securing fiscal space involves considerations of government to design appropriate macroeconomic policies in the short, medium and long term, public programmes for which resources are sought are likely to be long term projects that will necessitate the sustainability of the programmes. A broad categories of fiscal instruments through which government of Sierra Leone can create fiscal space are described below:

3.4.1 Fiscal Policy

The main objectives of fiscal policy in the medium-term are (a) to enhance domestic revenue mobilization; (b) to reduce the

overall budget deficit to sustainable levels over the period by continuing to re-orient public expenditures in favour of capital projects, and improving the efficiency of expenditures; and (c) reduce domestic debt.

3.4.1.1 Domestic Revenue Mobilization

Domestic revenue resource mobilization is attractive component for developing countries because it does not entail the negative side effects of external resources. However raising domestic revenue entails social, political and economic costs. The Government of Sierra Leone should continue to implement reforms aimed at strengthening tax administration and broadening the tax base, to enhance domestic revenue collection in both the mining and non-mining sectors in the medium term. With regards to tax administration, Government should review the National Revenue Authority Act and also enact a Tax Administration Act. It should also enact a consolidated Extractive Industry Revenue Act (EIRA) that will clearly define the fiscal regime for the mining and petroleum sectors; ensuring that the fiscal regime of all future mining agreements is consistent with the fiscal regime defined in the EIRA. Government establishes an Extractive Industry Tax

Department, and strengthens the capacity of the National Revenue Authority in administration of taxes in the extractive sector, with assistance from development partners. The Domestic Tax Department should be computerized, to improve administration of income and other domestic taxes.

Figure 2 shows the general government revenue collection as percentage of GDP for the years from 2006 until 2016(projections). From the figure, general government revenue (% of GDP) for Sierra Leone in year 2014 is 12.88 %. Revenue consists of taxes, social contributions, grants receivable, and other revenue. Revenue increases government's net worth, which is the difference between its assets and liabilities .This makes Sierra Leone No. 184 in world rankings according to general government revenue (% of GDP) in year 2014. The world's average general government revenue (% of GDP) value is 31.60 %; Sierra Leone is 18.72% less than the average. In the previous year, 2013, General government revenue (% of GDP) for Sierra Leone was 13.24 % and general government revenue (% of GDP) in 2014 was 12.88% which is 0.36% less than in 2013. Between 2006 and 2007 there was a

sharp increase in revenue driven by extra tax generated from the Agriculture, Services and Industry sectors. From the figure we can see that there was a sharp fall in revenue collection in 2008 of 12.70% this is as a result of the global financial economic crisis. In the following or forecasted year, 2015 and 2016, general government revenue (% of GDP) for Sierra Leone was or will be 13.0 % and 13.47%, which is 0.12% and 0.59% more than the 2014 figure (See Appendix Table 3).

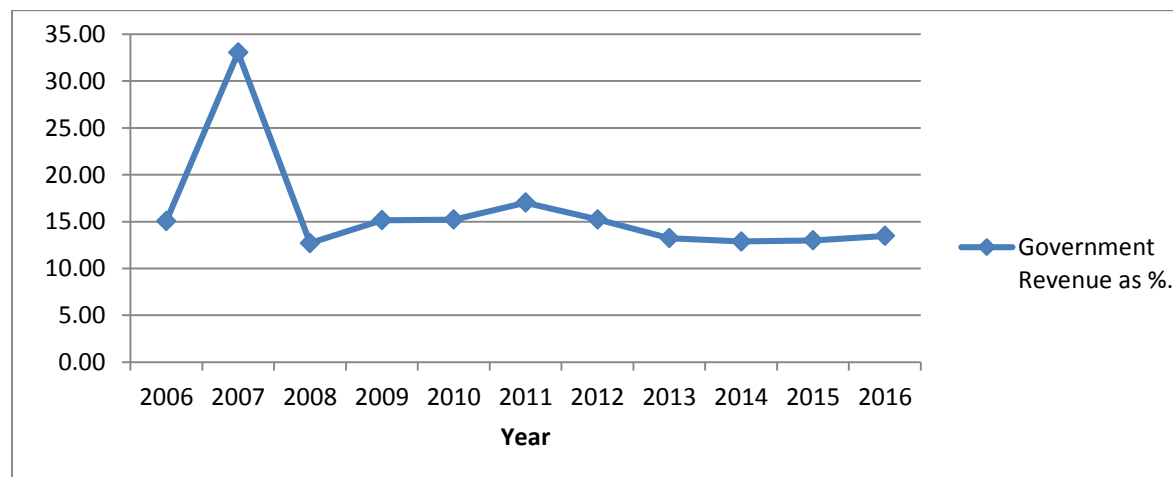
To strengthen the administration of trade taxes, the National Revenue Authority should continue rolling out the Automated System of Customs Data (ASYCUDA++) system to border crossing points; it plans to upgrade the ASYCUDA world version. This will minimize duty and tax exemptions by creating investment incentives in order to

attract entrepreneurial activities, investment promotion and trade liberalization. To administer the Goods and Services Tax (GST), Government should introduce specific GST receipts, and adopt measures that require businesses to use cash registers.

To broaden the tax base, Government should therefore foster:

- Special taxpayer regime for small and micro-enterprises (SMEs);
- The minimization of discretionary tax and duty waivers;
- Resource Rent Tax for the mineral and petroleum sectors.
- The Decentralization of revenue collection and sharing rules with local communities. This could potentially be applied in the collection of taxes from the informal sector.

Figure 2: General Government Revenue as % of GDP



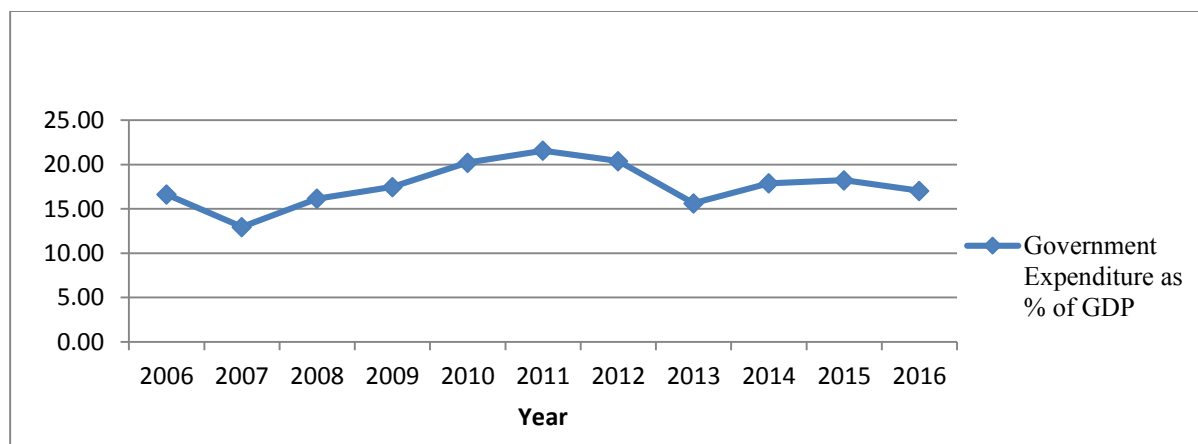
Source: IMF, 2014

3.4.1.2 Expenditure Management

In the quest for fiscal space expenditure management has to be high on the agenda of the government. This will enhance for an extensive and comprehensive analysis of all the expenditure items to identify areas of improvement. The Government of Sierra Leone should continue to re-orient public expenditures in favour of capital spending, while rationalizing recurrent expenditures. To improve budget planning, Government should strengthen the Medium-Term Expenditure Framework (MTEF) with focus on programme and performance budgeting. A robust Public Investment Programme

process, with rigorous project selection and appraisal criteria (including environmental and social mitigation measures), be put in place to improve the efficiency of public investment. Efforts are to be made to integrate the recurrent and capital budgets. Gender-responsive budgeting is introduced, to ensure equitable access to public resources by all. Guidelines issued to Ministries Departments and Agencies (MDAs) on how to include gender-based analysis in preparing their strategic plans. In line with the green growth approach taken by the Government is encouraged, especially for key growth sectors.

Figure 3: General Total Government Expenditure as % of GDP



Source: IMF, 2014

Figure 3 shows the general total government expenditure as percentage of GDP for the years from 2006 until 2016(projections). From the figure, expenditure (% of GDP) for Sierra Leone in year 2014 is 17.89%. Total expenditure consists of total expense and the net acquisition of non-financial assets. This makes the country ranked 178 in world rankings according to General government total expenditure (% of GDP) in year 2014. The world's average General government total expenditure (% of GDP) value is 34.32 %; Sierra Leone is 16.43 less than the average. In the previous year, 2013, General total government expenditure (% of GDP) for Sierra Leone was 15.63 % and general total government expenditure (% of GDP) in 2014 was 17.89% which is 2.26% more than in 2013. In 2007 and 2013 there was a sharp fall in the general total government expenditure as a share of GDP. From the figure above we can observe that between 2008 to 2011 there was a steady increase in government total expenditure from 16.16% of GDP, in 2008, to 21.58% in 2011 this increase is driven by the level of capital expenditure and to an increase in expenditure for goods and services as well as foreign finance capital expenditure. Further, in the IMF projection the share of GDP on total government expenditure

decreases. In the following forecasted years, 2015 and 2016, general total government expenditure (% of GDP) for Sierra Leone was or will be 18.23 % and 17.05%, which is 0.34% more than the 2014 figure and in 2016 (-0.84%) less than the 2014 .

To ensure prudent and transparent management of revenues from the extractive sector, Government should establish a Transformation and Development Fund as part of the Consolidated Revenue Fund, and an appropriate fiscal rule determined to facilitate credible and sustainable budget implementation to benefit from a fair share of the revenues generated by its mineral resources.

The government should implement public financial management reforms to ensure the efficiency and effectiveness of public expenditures. To this end, Government should strive to

- strengthen the commitment control systems and minimize extra-budgetary expenditures to ensure budget credibility;
- establish a Single Treasury Account to improve cash management;
- establish a robust monitoring and evaluation system, and conduct regular public expenditure tracking surveys to assess the effectiveness of

expenditures, both capital and recurrent.

3.4.2 Maintaining Stability of the Exchange Rate Policy

The exchange rate regime should be flexible to facilitate rapid adjustment to domestic and external shocks and maintain external competitiveness. With technical assistance from the development partners, the Bank of Sierra Leone (BSL) should establish the institutional structures and rules for a more developed foreign exchange interbank market. With the commencement of foreign exchange flows from the mining and oil sectors, this could provide the needed impetus for the move to a wholesale foreign exchange auction, which would enhance BSL's ability to manage increasing foreign exchange flows. As this change takes place, the present auction system would be gradually re-modified.

The Bank of Sierra Leone should build foreign exchange reserves to cushion external shocks, and encourage increased foreign exchange sales to support liquidity management and facilitate the absorption of aid flows. BSL aims at intervening in the foreign exchange market to sterilize the impact of external budgetary inflows, as

well as reduce short term volatilities in the exchange rate.

3.4.3 Public Debt Management

The overall objective of Government's debt policy in the medium-term aims at ensuring debt sustainability and minimizing roll-over and interest rate and exchange rate risks. Government, in collaboration with the World Bank and the International Monetary Fund (IMF), should develop a medium term debt strategy that would guide Government borrowing and overall debt management, consistent with a sustainable macroeconomic path. As part of the strategy, Government continues to prioritize highly concessional loans, and seek to ensure external debt sustainability.

On domestic debt, Government should restructure the existing domestic debt portfolio, issuing medium to long-term bonds to scale up infrastructural development and to mitigate rollover and interest rate risks; this will strategically align long term financing to long term projects. Government should continue to improve transparency in the domestic debt market, to strengthen investors' confidence. Therefore, Government through BSL commences the publication of a quarterly auction calendar that would be reviewed on a monthly basis.

The calendar will indicate the amount of securities that would be put on offer and the various tenors of the securities. As a means of improving investors' confidence, market signaling, and consequently financial stability. The BSL embarks on formulation of auction guidelines and publication of liquidity conditions and projections. Beyond the primary market, BSL should work with commercial banks and other financial institutions to further develop secondary market and also encourage the establishment of a self-regulatory body/association to spread financial literacy among market participants and to act as a communication link on issues related to market regulation and development.

3.5 Policy Development Recommendations

The social safety net for the old age in Sierra Leone has enhanced considerable contribution to social cohesion objectives and contributes to the peace process of Sierra Leone. Even though the cash transfers programme implemented are feasible, a major cash transfer is more an issue which encompasses major challenges that must be overcome. If significantly organized and oversight as well as enhancing proper monitoring, community involvement and institutional development is enhanced, large

scale implementation is achieved and thus facilitates the cash transfer to reached the intended beneficiaries. It is however, worth noting that cash transfers programme for old age in Sierra Leone are affordable, though limited domestic funding is a major concerned.

Building on the policy gaps identified the following policy development recommendations are formulated.

- (i). Establish an agency to implement the Social Safety Net Policy and Action Plan for the aged, with robust, coherent and transparent institutional and legal framework to coordinate and deliver the programmes in an integrated fashion, with clear institutional mandates, ensuring collaboration in planning and implementation.
- (ii). Ensure political will and support at the highest political and administrative levels for good coordination of social protection and amplifying provisions for the Aged. These will enhance the need for Government and its partners to provide adequate funding for the development and implementation of a comprehensive and sustainable support services to both the Aged and those who care for them. Strengthening infrastructural development as well as enhancing the inclusion of Social Protection for the aged

into peace and security and service delivery mechanisms.

(iii). Collaborative efforts to be strengthened between the Ministry of Social Welfare, Gender and Children's Affairs and the Ministry of Health and Sanitation, especially the Psychiatric Division. This would ensure that the welfare and protection of the Aged (especially those dealing with senility) are incorporated into the multi- dimensional facets of the ageing process without discrimination. Also provide case management and support for vulnerable families.

(iv). To facilitate community sensitization on social protection issues for the aged, especially those bordering on care by family members, should be stepped up. An all inclusive, rural participatory, monitoring and evaluation scheme should be set up to oversee the social protection implementation program for the aged.

(v). Strengthening Social protection sector governance for quality social safety net delivery to the aged. This is achieving by enhancing support regulatory and professional bodies to carry out inspectorate functions. Review and update policies and strategies with regards to the aged as well as strengthen monitoring and evaluation,

engage service users in monitoring and promoting good

governance, improve accountability as well as collaboration and coordination of stakeholders, improvement of human resources for quality social safety net delivery to the aged.

(vi). Provide defined and basic social safety net policy packages for disadvantaged elderly and the disabled thus provide cash and in-kind transfer packages as appropriate for the aged and the disabled.

(vii). Extend social safety net interventions for the aged to all categories such as (the physically and mentally challenged, orphans, and amputees), through campaigns and enforcement of regulations, develop and implement action plans based on best international practices.

(viii). Develop a comprehensive Monitoring and Evaluation Framework that harmonizes efforts to monitor progress, as well as fully aligning programme targets to policy and programme outcomes for the program. Parliamentarians and local councilors should be fully briefed about the Social Safety Net programme for the aged; much use should be made of chiefdoms, villages and welfare committees and setting up of National Task Force, Continental Coordinating

Committees on Social Protection for the aged.

(ix). Strengthen services as physically challenged old people are more vulnerable to ill-health, the following activities should be implemented to address the health needs of the physically challenged old people: Provide Free Health Care at the point of delivery for people with disability, aimed at providing rehabilitation equipment for people with disability. Make health facilities friendly for the physically challenged.

(x). Provide Affordable Housing for the vulnerable aged groups through public-private partnerships. The management of housing for the old is expensive and often undertaken by private sector. Therefore the Ministry of Social Welfare, Gender and Children's Affairs supports the view that traditional family and community care for the Aged should be a cornerstone of the comprehensive policy that is being developed.

4 Conclusions

This paper analyses the issues of fiscal space and applies it to the financing of a minimum package of social safety net programmes in Sierra Leone. In the first part of the paper we review some of the arguments put forward in the literature with regards social

safety nets spending in the context of developing countries. Social safety nets investments have received wide attention and it is an important pillar for growth with other public investments such as health, education and infrastructure. Within this context, we review the concept of spending on social safety nets in developing countries as well as the concept of fiscal space. We then turn to the Sierra Leone country study. Sierra Leone in the past nine years experienced sustained economic growth that was not matched by similar improvement in the living conditions of its citizens. Also, we show that the government has not been able to turn these years of economic growth to sustained poverty reduction

Actually, revenue as a share of GDP increase over time and expenditure was increased accordingly. From the appendix in Table3, it is clearly seen that government expenditure is higher than that of the revenue collection over the period of analysis except in 2007 where government revenue collected exceed total government expenditure. The result also reveals that government is running a deficit budget which imposes a serious challenge in financing social safety net programmes. Therefore Government will have to borrow in order to finance the gap. Sierra Leone is

still one of the poorest countries in the world and it is characterized by a highly informal economy in which current social safety programmes fails to target those most in need and to alleviate poverty.

The success of the SSN for the aged and coverage extension critically depends on the concurrent improvement of fiscal space ,administrative capacity and political will which largely takes into consideration: Identify the social protection needs for different socio economic groups of the aged, determine their social risks, shocks and vulnerability and develop programmes based on risks, income and needs. This is critical not only because the volume of administrative tasks increases but also those currently excluded are more likely to pose considerable problems of registration, compliance, and record keeping.

In Sierra Leone, cash transfers originally obtained by monetizing humanitarian aid. However, what government spends in total on social protection is based on cash transfers. The cost of any cash transfer needs monitoring and evaluation component which will make a significant impact in poverty reduction and vulnerability in Sierra Leone. Sierra Leone has emerging networks of regional banks and coverage outside the

regional headquarter is seen difficult. Delivering the cash by hand is not being viable for a full national scheme. It is also important to facilitate inter-departmental co-ordination by all ministries in the country. The programme has generally enhanced a reduction of the old age people incidence of street begging, reunification of family connections as well as community appreciation of the scheme, local business people realize more sales during payment periods which marked an improvement in the local economies. However, poverty still remains a serious issue which must be defeated at all cost for the stability, peace and security of the country and globally. Despite the qualitative assessment of the study, the views expressed are still relevant to guide and inform policy makers to design policy of economic growth and hence poverty reduction.

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Table 2: Percentage of Contribution Gross Domestic Product by Sectors

	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Agriculture, Forestry and Fishing	45.43	47.34	47.41	48.39	49.46	50.29	52.71	53.36	53.79
1.1 Crops	28.99	31.30	31.26	31.44	31.48	32.53	35.63	36.75	37.37
1.2 Livestock	1.89	2.09	2.05	2.21	2.51	2.51	2.32	2.26	2.24
1.3 Forestry	8.84	7.20	6.79	6.56	6.53	6.55	6.27	6.18	6.15
1.4 Fishery	5.70	6.75	7.32	8.18	8.94	8.70	8.49	8.17	8.02
2. Industry	8.50	8.83	10.14	10.59	10.20	10.37	9.80	8.32	7.67
2.1 Mining and Quarrying	2.90	3.70	5.24	5.85	5.43	5.41	5.26	3.48	3.34
2.2 Manufacturing and Handicrafts	3.09	2.76	2.50	2.37	2.35	2.62	2.45	2.36	2.13
2.3 Electricity and Water Supply	1.04	0.91	0.84	0.69	0.47	0.44	0.25	0.69	0.61
2.4 Construction	1.46	1.46	1.56	1.67	1.95	1.90	1.83	1.79	1.59
3. Services	41.86	39.64	38.40	37.43	36.66	35.59	33.68	34.57	34.86
3.1 Trade and Tourism	8.26	8.40	8.71	8.96	9.03	8.74	8.36	8.08	8.09
3.2 Transport, Storage and Communication	5.14	4.61	6.79	6.64	6.61	6.22	6.46	7.61	8.03
3.3 Finance, Insurance and Real Estate	6.66	6.04	5.97	6.04	5.71	5.60	4.85	4.46	4.55
3.4 Administration of Public Services	3.70	2.74	3.43	3.28	4.22	4.43	3.83	3.18	3.18
3.5 Other Services	5.87	4.72	4.39	4.19	4.14	4.09	3.83	3.72	3.70
3.6 Education	4.73	7.01	3.67	2.97	2.35	2.04	2.27	3.36	3.06
3.7 Health	4.46	3.72	3.25	3.43	3.16	3.09	2.90	2.85	2.85
3.8 NPISH	3.04	2.40	2.20	1.91	1.44	1.38	1.18	1.30	1.40
4. FISIM	0.81	0.84	0.98	1.43	1.35	1.27	1.22	1.27	1.34

Appendix

Source: Statistic Sierra Leone (2009)

Table 3:General Government Revenue and Expenditure as % of GDP(source IMF 2014)

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Government Revenue as % of GDP	15.07	33.05	12.70	15.14	15.22	17.02	15.23	13.24	12.88	13.00	13.47
Government Expenditure as % of GDP	16.62	12.96	16.16	17.48	20.22	21.58	20.41	15.63	17.89	18.23	17.05